

**FTS-COMMERCE**

**Moderator: Kate Wothington**  
**May 7, 2008**  
**11:00 am ET**

Coordinator: Welcome and thank you for standing by. All participants are in a listen only mode. Today's conference is being recorded, if you have any objections you may disconnect at this time.

Now I will turn the meeting to Miss Kate Wothington, ma'am you may begin.

Kate Wothington: Good morning everyone and thank you all for joining this call today. As the designated federal officer I would like to officially call this meeting to order. We are fortunate to have with us Secretary of Commerce Carlos Gutierrez, Acting Deputy Secretary of Energy Jeffery Kupfer and Assistant Secretary of Commerce for Manufacturing Services and Executive Director of the Council Woody Sutton.

Thank you all for joining us. To begin the meeting I would like to ask Secretary Gutierrez to swear in the members and make a few comments. Mr. Secretary?

Carlos Gutierrez: Okay thank you and good morning to everyone. Before we begin I'd like to reappoint and swear in the following members to this chartered term of the

council, and I'll just go ahead and mention the names and then I'll ask you all to state your name and if you can do so at the same time, that's acceptable.

I've got Dr. Dean Bartles, Vice President and General Manager, General Dynamics Corporation.

Dean Bartles: Dean Bartles is here.

Carlos Gutierrez: Okay, thank you. Mr. Daniel DiMicco, Chairman, President and CEO of Nucor Corporation.

Daniel DiMicco: Dan DiMicco is here.

Carlos Gutierrez: Thank you. Mr. Peter Kamenstein, President, M. Kamenstein Corporation. Okay, we'll keep going and see if he'll join us as we're on this. Mr. Fred Keller and I'm pleased to inform officially that Fred Keller has been designated Chairman of the Council so congratulations.

Fred is also chairman and CEO, Cascade Engineering.

Fred Keller: Thank you very much Mr. Secretary, Fred Keller is here.

Carlos Gutierrez: Thank you. Miss Kellie Johnson, President, Ace Clearwater Enterprises, and just want to say that Kellie was also with us in our Low Carbon Future conference recently, want to thank her for her service.

Kellie Johnson: You're welcome, Kellie Johnson is here Secretary.

Carlos Gutierrez: Thank you. Mr. James McGregor, President, Morgal Machine Tool and Ohio Stamping and Machine. Okay, Mr. Harding Stowe, President and CEO, R.L. Stowe Mills.

Harding Stowe: Harding Stowe is here.

Carlos Gutierrez: Thank you. Della Williams, President and CEO, Williams-Pyro Inc.

Della Williams: Della Williams is here.

Carlos Gutierrez: Okay thank you. If you'll please repeat after me, I, and please state your name.

All: I (unintelligible).

Carlos Gutierrez: Do solemnly swear...

All: Do solemnly swear...

Carlos Gutierrez: That I will support, protect and defend...

All: That I will support, protect and defend...

Carlos Gutierrez: The Constitution of the United States...

All: The Constitution of the United States...

Carlos Gutierrez: Against all enemies, foreign and domestic.

All: Against all enemies, foreign and domestic...

Carlos Gutierrez: That I will bear true faith and allegiance...

All: That I will bear true faith and allegiance...

Carlos Gutierrez: To the same...

All: To the same...

Carlos Gutierrez: That I take this obligation freely...

All: That I take this obligation freely...

Carlos Gutierrez: Without reservation...

All: Without reservation...

Carlos Gutierrez: Or purpose of evasion.

All: Or purpose of evasion.

Carlos Gutierrez: And that I will well and faithfully discharge...

All: That I will well and faithfully discharge...

Carlos Gutierrez: The duties of the office of which I am about to enter...

All: The duties of the office of which I am about to enter...

Carlos Gutierrez: So help me God.

All: So help me God.

Carlos Gutierrez: Congratulations to all of you and thank you for your service, we're going to have a round of applause on this end.

Man: Thank you.

Woman: Thank you.

Carlos Gutierrez: Okay, thank you and welcome again and thank you very much for your service. I'll just make a couple of comments before turning it over to Acting Deputy Secretary of Energy Jeffrey Kupfer who will respond to many of the issues in your letter.

Let me just say first off, a couple of remarks about our economy and I think its worthwhile saying that we are the world's largest manufacturer; we manufacture approximately \$1.6 trillion, that was 2007.

That's actually the same amount that we export. And that's approximately 50% more than our nearest rival or the next largest manufacturer which is China.

Standing alone, US manufacturing would be about the eighth largest economy in the world. We actually export 20% of what we manufacture and 60% of our exports are manufactured goods.

So manufacturing plays a tremendous role in our economy and in our growth. We know that the US economy is facing some pretty stiff headwinds as expected.

The first quarter growth was slow. Recent job reports have been disappointing. It's been sort of bittersweet because the losses in April were better than forecast, but we still had losses in jobs, which is never acceptable.

Unemployment however fell to 5%. So this is very much in line with what the President has been saying, what we have all been saying is that we are going through a correction. We're going to go through a difficult first half and we are right in the middle of that difficult first half.

It's never easy on any American to lose a job or to lose a home and these numbers reaffirm the importance of continuing to strengthen the short and long term economy.

As you know, the President took quick action to jump start the economy by advancing bipartisan economic stimulus legislation. Very pleased that the President decided to do this last year when the most recent number we had was a 4.9% GDP growth in the third quarter.

So he obviously had to make a decision before all the numbers were in and we're so glad that he made the decision when he did because right now as we speak rebate checks have begun to go out to more than 130 million households.

We're putting over \$150 billion back into the hands of American workers and businesses this year, that's about 1% of our national GDP.

The growth package includes as you know incentives for businesses to invest in new equipment, and that is expected to create over a half a million jobs by the end of the year.

A stronger growth is expected in the second half of the year as well, we know that consumer spending is about 70% of our economy, so putting over \$100 billion in the hands of consumers will help our growth as we head into the second half of the year.

In the long run, the most important way to keep our economy growing is to make the tax relief permanent and to support expanding exports.

There have been some very exaggerated comments in recent times about - that somehow you know we were heading back to a period of the 1930's, actually quite amazing because our unemployment is 5%, the unemployment back then was about 25%.

But two things that happened in the 1930's that really, really steepened the economic decline at that time. One was an increase in taxes and two was protection of these policies and economic isolationism.

So two things that we absolutely need to do to keep our economy growing over the long term is to make the present tax relief permanent and to continue to expand exports and to engage and to have free trade agreements and to not pull back.

Exports are booming and they've helped keep GDP in the black. In 2007 as I mentioned our manufacturing exports were over \$1 trillion, total exports \$1.6 trillion, exports now account for a larger portion of GDP than ever before in our history.

Exports last year were 13%. This year to date they're up 18%. We've had years in a row where exports have grown in the double digits.

So this is a very good time for exports and the question is why is congress delaying efforts to open markets over seas, they should be approving our pending trade agreements with the same sense of urgency with which we approved (unintelligible).

We have pending agreements with Columbia, with Panama and South Korea, and these bills will not come to the floor until the Speaker schedules a vote given that the TPA rules will change in the middle of the game.

So we are putting all the pressure we can to ensure that these free trade agreements get a vote. Frankly it's been a little bit embarrassing with the rest of the world to have to claim over and over again what is going on in the US and whether we backing away from our allies and whether we're backing away from trade.

So thank you again, I'm going to turn the call now over to Acting Deputy Secretary of Energy Jeffrey Kupfer. Jeffrey is Energy's Chief Operating Officer and he works with Secretary Bodman on policy and oversight of the department.

So thank you for being with us Acting Deputy Secretary and I'll turn it over to you.

Jeffrey Kupfer: Okay, thank you Mr. Secretary, I appreciate the invitation to participate today and looking forward to the opportunity to discuss some of these important issues with the council.



I'd also like to put in the Department of Energy's congratulations to the council members and thanks for your service. The secretary, Secretary Bodman also sends his regards to all the members of the council.

As members of the council have outlined in the draft letter which I've seen a copy of, there's no question that this country is facing some very important issues in the energy sphere as we go forward and as we look out over the next 10 or 20 years.

And the most important premise I think of the letter and the letter underscores it is that it is apparent to anyone who is looking at the situation that global energy demand is skyrocketing.

And even with some of the moderation that we've seen in demand here in the United States, we've seen really increased demand in many other parts of the world and we know that that's going to continue in the next few decades.

And so to meet this demand, we all recognize that our nation and the whole world for that matter needs a comprehensive strategy to increase the use of renewable fuels, other clean energy technologies as well as our existing types of fuels to help meet this growing global demand.

As your letter points out there's no single answer to the situation we face, but in order to accomplish our goal and to meet that demand we need a diversity of sources.

And that ranges from non-food based bio fuels, plug in hybrids, ultimately hydrogen vehicles for transportation and then in the power sector for wind, solar, geothermal, nuclear coal, all other sources.

The President has really made this a top priority since the first days of the administration, recognizing that energy security and our nation's competitiveness is vitally important.

Folks can always say that we should or could be doing more, but from our perspective we are doing everything we can think of and we're very proud of the record that we've accomplished and that we can look back at.

We've had two significant energy bills passed into law in 2005 and 2007. Congress, we worked with Congress to enact legislation. We've also had a number of key initiatives that have been in the President's State of the Union address in 2006 and then also in 2007 designed to reduce our dependence on foreign oil, promote greater fuel efficiency and more renewable fuels.

And let me just talk through a few of the things that we've done that we think stand out. Last year for instance working with Congress, we set a mandatory renewable fuel standard requiring fuel producers to use at least 36 billion gallons of bio fuels by 2022.

At the Department of Energy we're partnering with the private sector to try to bring the market as quickly as we can the second generation of bio fuels to ensure that we're able to meet this goal.

And let me repeat that what we're working on at the department is non-food based bio fuels, the second and third generation and all of the money that we spend here at the department of energy for research and to - development and deployment is for the second and third generation.

We do not do any research or provide grant money or anything else for corn or other food based bio fuels. Last year, I'll just give you a number, US bio

fuels production was 6.5 billion gallons, this year we expect it to be 8.5 billion gallons.

And in fact our market is growing at an even faster pace than Brazil which had produced 5 billion gallons last year and is expected to increase by about 600 million this year.

So the US is the fastest growing place in the world for bio fuel production. As we look in the power sector, a few things stand out. One is that the US has had the fastest growing wind power capacity in the world for the last three years in a row.

We're likely to become the world leader of total installed wind capacity by the end of 2009, since the President took office our wind power capacity has grown by 85%.

And at the Department we are spending millions of dollars to do R&D in order to continue to help develop more efficient wind turbans and other ways to make it even more cost competitive.

We're also focused on nuclear power, we recognize that emissions free nuclear power must be part of this nation's energy policy in order to address climate changes, challenges and the growing energy demand.

We have some programs where we're partnering with private sector, we call it nuclear power 2010 and we're also providing risk insurance for some of the first movers building new nuclear plants.

We haven't built one in 30 years in this country, but we think that these programs have helped spur the submission of - so far we've had nine

applications to the nuclear regulatory commission for 15 reactors and many more reactors or proposals are anticipated to follow.

We've also made progress in dealing with liquefied natural gas facilities around the country, at trying to streamline the permitting process. There have been permits for seven new facilities for expansions that have been approved and that will significantly increase liquid natural gas supply to the US.

And we've been working to try to make construction in new terminals, just a couple weeks ago the Secretary was actually down in Louisiana where another L&G facility was open. So we see that as very important.

You know in your letter that coal is America's most abundant energy resource. There's no question about that, and coal will remain a part of this country's energy mix for as long as - for at least hundreds of years.

And that's important, at the same time we recognized that we need to find a way to use it more cleanly and efficiently so the department's doing a number of things.

We have this project called FutureGen where we are working with the private sector to try to have a full demonstration project where we will - basically would be soup to nuts of a coal facility where we will develop the facility and then capture the CO<sub>2</sub> and then store the CO<sub>2</sub> underground.

And we are in the process of soliciting input from the private sector and applications so that we can get this project up and running as soon as possible.

We also have a program where we have regional partnerships where we divide the country into seven different regions because there's different geology in all those different parts of the country.

And we are working with private sector and others to try to have large scale demonstration projects at these seven sites so that we can perfect the concept of sequestering carbon dioxide.

And just yesterday for instance we gave out \$125 million which is cost shared with the private sector who's going to put in another \$55 million for two more of those projects.

So we feel like we're making pretty good progress in that area as well.

Another issue on the supply side that I want to highlight because it's vitally important is that we need to utilize our own domestic resources on the oil and gas side in an environmentally friendly way.

But we need to increase that supply, both in ANWR up in Alaska and in the outer continental shelf as the President pointed out last week, if ANWR was fully developed it would be producing close to a million additional barrels of oil every day to US - uses about 20 million barrels per day.

So that would be a significant addition, and that million additional barrels every day would translate to about 27 million gallons of gasoline and diesel every day.

It's hard for all of us at the Energy Department as we talk to our colleagues around the world and we call on them to increase production and invest in their own exploration and produce more supplies for the global market.

It's hard for us to call upon all of them to do it because they also often ask us what we're doing in our own country, and so it's important for us to develop those resources and to help lead by example.

The last item that I would mention because I know it's important to all of you is efficiency. We recognize that the demand side of the equation is also very important for us to deal with.

On the liquid fuel side of things as part of last year's Presidential initiative to reduce our gasoline use, we worked with Congress and enacted increased café standards, increased by about 40% fuel efficiency of automobiles by 2020.

So that's on the way to being done and on the industrial efficiency side, the department has a program where we do energy audits of various manufacturing facilities around the country.

We finished 200 of them as of March of last year and we are - we have been continuing to do that and we will shortly announce that we have completed 500 of them.

And in these - in a typical audit, we the department find 5 to 15% energy savings in the various facilities, which if you took a typical plant could mean as much as \$2.5 million per plant annually in energy savings which goes right to the bottom line.

We've also worked with NAM, and we entered into an MOU with them last year in June of last year to try to share our expertise in this area with NAM to create a catalog of tools and technologies as well as a website for access to these services to try to encourage all companies around the country to look at the efficiency side of the equation.

So just to sum everything up, we at the department and everywhere else in the government we share your view that our future economy and success of our future economy and the quality of life depends on sound energy policy, and we'll look forward to continuing to work with you on all these initiatives that I've talked about.

Also be happy to take some questions about anything.

Dean Bartles: Mr. Secretary, this is Dean Bartles from General Dynamics and I explained to Kate, I apologize, I have to depart for an 11:30 meeting but thanks so much for all the information. Very, very interesting, and I'll look forward to working with the Council as we go forward.

Carlos Gutierrez: Thank you. Thanks for your service and look forward to seeing you.

Dean Bartles: Thank you.

Kate Wothington: Thank you Mr. Kupfer, are there any additional questions? Great. At this time, I would like to turn the meeting over to Fred Keller, co-chair of the energy working group.

Fred has taken the lead on the council's effort along with Kellie Johnson on the issue of energy costs and alternative sources.

I want to thank our energy working group for all their hard work to date. Fred, would you like to present the council's letter of recommendation?

Fred Keller: Thanks very much Kate, thank you Mr. Secretary, appreciate the overview very much of the letter. And with the - I don't think there needs any

embellishment of what's here, I think that you have covered all of the points that we covered in the letter.

Clearly we're seeing the impacts of our concerns even today as we're hitting record prices on our - on the oil. And it is of equally high concern today as it was when we started writing this letter a year ago.

And the idea of oil and energy in general being one of the most pressing issues for manufacturing and one of the most actionable issues continues to this day. So with that I would move the adoption of this letter as being sent to the Secretary if there's - if that's the appropriate course of action at this point in time.

Kate Wothington: Thank you Fred. Fred has submitted the letter of recommendation to the Council for consideration. A copy of this letter had been sent to Council members and for the members of public a copy was posted on line.

I will now open the floor for comments by the Council. If you have any comments please identify yourself first.

Harding Stowe: This is Harding, is the last copy I got was on the 14th of April, is that still the...

Kate Wothington: You all should have received a copy last night, did you all not receive one?

Woman: No.

Kate Wothington: We will right after this meeting get out another copy. The letter was basically the same, most of it was stylistic changes. Does anybody have any issue with the substance of the letter, the April 14th draft?



Harding Stowe: No, I don't. The - we might get to that those higher prices that were referred to quicker than they said. We're only a few dollars away but that was the main issue I had with it.

Kate Wothington: Okay. Well the Council seems to be in general agreement on the later. If there is no objection I would propose that the letter be transmitted to the Secretary.

Are there any objections? Hearing none, the letter is approved. Many thanks to the Energy Working Group for their good work on this issue.

Thank you everyone. That concludes our business today. Our next step will be to have our ceremonial inaugural meeting. The Executive Secretary will be in contact with you once the date has been chosen.

Thank you Secretary Gutierrez and Acting Deputy Secretary Kupfer for your participation on the call. If there's not any more business, do I hear a motion to adjourn?

Man: Yes, motion to adjourn.

Kate Wothington: Is there a second.

Woman: Second.

Kate Wothington: All in favor?

All: Aye.

Kate Wothington: This meeting of The Manufacturing Council is hereby adjourned.

Carlos Gutierrez: Thanks for everything, we'll see you all soon.

Man: Thank you very much.

Woman: Thank you.

Carlos Gutierrez: Thank you, congratulations, thank you.

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